

## Judgment Interest Information

A confusing aspect of working with judgment interest is that the labels used for some basic interest types listed below are at times used interchangeably. There are four basic types of interest that a Court Administrator may encounter when working with Judgments. In addition to the statutes and rates discussed below, Minnesota law also provides a variety of interest rates for special applications, e.g., recovery of taxes, arbitration awards (See *Interest Rates on State Court Judgments and Arbitration Awards* as issued annually by the State Court Administrator's Office on CourtNet at <http://www.mncourts.gov/?page=1641>). Note that the provision for a 2% higher interest rate on child support judgments that was in place for several years, was removed from M.S. 548.091, subd. 1a, effective 1/1/2008. Where applicable, the child support interest type should still be used. By distinguishing these judgments, the courts will be prepared to accommodate any future changes to interest.

The four basic interest types are designated as follows:

- 1) **INTEREST ON A DEBT**
- 2) **PREVERDICT/PREAWARD/PREREPORT INTEREST**
- 3) **POSTVERDICT/PREJUDGMENT INTEREST**
- 4) **POST JUDGMENT INTEREST**

- 1) **INTEREST ON A DEBT** is a rate established in the complaint or (if no specific rate is given in the complaint), 6% pursuant to Minn. Stat. §334.01. The need to use this statute for an interest rate may arise when the Court Administrator is presented with an order for judgment which directs that "interest" be calculated and included in the original judgment amount. If no specific interest rate is noted in the order or no specific interest rate is found in an attached exhibit, e.g., a contract or agreement, then, the current rate established in this statute may serve as a fall-back percentage.

- a) Start Date for Interest Calculations = Date of default on the contract  
End Date for Interest Calculations = Date the order for default judgment is signed OR the date of physical entry of judgment if an administrative default judgment (**MNCIS** will automatically calculate interest for the date of entry as post judgment interest).  
Interest Rate = Rate set in contract, agreement, court order OR if there is no such information, the interest rate as established in Minn. Stat. §334.01.
- b) Calculated as simple interest per annum and becomes part of the original judgment amount.

- 2) **PREVERDICT/PREAWARD/PREREPORT INTEREST** -[Also at times collectively referred to as "Prejudgment Interest."]

Minn. Stat. §549.09, subd. 1(b) is the authority for calculating interest when an Order for Judgment directs the inclusion of "preverdict/preaward/prereport/ (prejudgment) interest in the original judgment. The Court itself often calculates this interest because the determination of start and end dates for the calculations can be changed by settlement offers, etc. However, such calculations can become the Court Administrator's responsibility and the following parameters should be followed:

- a) Start Date for Interest Calculations = Date of the SERVICE of the Summons and Complaint (unless the Court's Order for Judgment defines another start date.)
- b) End Date for Interest Calculations = Date of verdict (if a jury trial) OR Date the order for judgment is signed (if a contested court trial).

- c) Interest Rate = Set in contract, agreement, court order OR if there is no such information, the interest rate as established in Minn. Stat. §549.09, subd. 1(c)(1) for judgment amounts of \$50,000 or less or for a judgment or award for or against the state or a political subdivision of the state, regardless of the amount OR the interest rate of 10% as established in Minn. Stat. §549.09, subd. 1(c)(2) for judgment amounts over \$50,000, other than a judgment or award for or against the state or a political subdivision of the state [See *Interest Rates on State Court Judgments and Arbitration Awards* as issued annually by the State Court Administrator's Office and posted on CourtNet at <http://www.mncourts.gov/?page=1641>].

NOTE: The 10% interest rate applies to judgments or awards **greater than \$50,000** where the final entry date was on or after August 1, 2009, (except judgments entered for or against the state or a political subdivision as defined in Minn. Stat. §549.09, subd. (1)(e)(1) & subd. (1)(e)(2) entered on or after April 16, 2010. *To reiterate, the judgment amount must be **over \$50,000** for the 10% interest rate to apply; i.e., a judgment amount of exactly \$50,000 would accrue interest at the lower rate as established by the State Court Administrator.*

- d) Calculated as simple interest per annum and becomes part of the original judgment amount.
- e) Preverdict/Preaward/Prereport Interest should NOT be calculated on the following:
- Judgments, awards, or benefits in workers' compensation cases
  - Judgments or awards for future damages
  - Punitive damages, fines or other damages that are non-compensatory in nature
  - Judgments or awards not in excess of the amount specified in Minn. Stat. §491A.01
  - Portion of any verdict, award, or report (i.e., court's order for judgment) founded upon interest, or costs, disbursements, attorney fees, or other similar items added by the court or arbitrator

3) **POSTVERDICT/PREJUDGMENT INTEREST** – (This is the period of time between a jury verdict or the Court's order for judgment and the physical entry of the judgment.)

Minn. Stat. §549.09, subd. 1(a) reads:

When a judgment or award is for the recovery of money, including a judgment for the recovery of taxes, interest from the time of the verdict, award, or report until judgment is finally entered shall be computed by the court administrator or arbitrator as provided in paragraph (c) and added to the judgment or award.

In this instance, "award or report" equates to the date that the Court signed the order for judgment.

- a) Start Date for Interest Calculations = Date of jury verdict OR date the Court's order for judgment is signed. (NOTE: If there is a jury verdict, interest calculations should be from the date of that jury verdict, rather than from the date of the Court's Order for Judgment.)
- b) End Date for Interest Calculations = Date the judgment is physically entered by the Court Administrator (MNCIS will automatically calculate interest for the date of entry and thereafter.)
- c) Interest Rate = the interest rate as established in Minn. Stat. §549.09, subd. 1(c)(1) for judgment amounts of \$50,000 or less or for a judgment or award for or against the state or a political subdivision of the state, regardless of the amount OR the interest rate of 10% as established in Minn. Stat. §549.09, subd. 1(c)(2) for judgment amounts over \$50,000, other than a judgment or award for or against the state or a political subdivision

of the state [See *Interest Rates on State Court Judgments and Arbitration Awards* as issued annually by the State Court Administrator's Office and posted on CourtNet at <http://www.mncourts.gov/?page=1641>].

NOTE: The 10% interest rate applies to judgments or awards **greater than \$50,000** where the final entry date was on or after August 1, 2009, (except judgments entered for or against the state or a political subdivision as defined in Minn. Stat. §549.09, subd. (1)(e)(1) & subd. (1)(e)(2) entered on or after April 16, 2010. *To reiterate, the judgment amount must be **over \$50,000** for the 10% interest rate to apply; i.e., a judgment amount of exactly \$50,000 would accrue interest at the lower rate as established by the State Court Administrator.*

- d) Calculated as simple interest per annum on the principal verdict/judgment amount and becomes part of the original judgment amount.

#### 4) **POST JUDGMENT INTEREST**

Minn. Stat. §549.09, subd. 1(c)(1) and subd. 1(c)(2) establish the annual interest rate to be applied to judgments from the entry date to the satisfaction date.

- a) Start Date for Post Judgment Interest Calculations = Date of Judgment Entry
- b) End Date for Interest Calculations = Date of Partial or Full Satisfaction of the judgment (When there is a partial satisfaction, interest continues to accrue at the judgment rate, but on the reduced principal amount.)
- c) Interest Rate = the interest rate as established in Minn. Stat. §549.09, subd. 1(c)(1) for judgment amounts of \$50,000 or less or for a judgment or award for or against the state or a political subdivision of the state, regardless of the amount OR the interest rate of 10% as established in Minn. Stat. §549.09, subd. 1(c)(2) for judgment amounts over \$50,000, other than a judgment or award for or against the state or a political subdivision of the state. [See *Interest Rates on State Court Judgments and Arbitration Awards* as issued annually by the State Court Administrator's Office and posted on CourtNet at <http://www.mncourts.gov/?page=1641>].

NOTE: The 10% interest rate applies to judgments or awards **greater than \$50,000** where the final entry date was on or after August 1, 2009, (except judgments entered for or against the state or a political subdivision as defined in Minn. Stat. §549.09, subd. (1)(e)(1) & subd. (1)(e)(2) entered on or after April 16, 2010. *To reiterate, the judgment amount must be **over \$50,000** for the 10% interest rate to apply; i.e., a judgment amount of exactly \$50,000 would accrue interest at the lower rate as established by the State Court Administrator.*

- d) Calculated as simple interest per annum on the original judgment amount (or on the remaining judgment amount after a partial satisfaction but DOES NOT increase the judgment amount itself, only the total amount due.)

#### MNCIS-Related Comments:

Court Administrators will routinely find it necessary to calculate interest in connection with court-ordered judgments that involve 30-day stays or specific directives from the Court. An invaluable tool for such calculations is the ICLC utility on CourtNet. ICLC is particularly useful when it is necessary to calculate:

- ◀ **INTEREST ON A DEBT**
- ◀ **PREVERDICT/PREAWARD/PREREPORT INTEREST**
- ◀ **POSTVERDICT/PREJUDGMENT INTEREST**

MNCIS, itself, has considerable interest calculation capability and will handle most of the scenarios encountered in judgment entry. Depending on the judgment case type, choose the appropriate category from the “Interest Rate Type” field on the “Modify Judgment” or “Amend Judgment” sections of the MNCIS Disposition screen. The interest rate choices are:

- ◀ Other rate
- ◀ Over \$50,000
- ◀ Real/Personal Property
- ◀ Sales/Excise/Income Tax
- ◀ State Court Admin
- ◀ Support (Note: Effective January 1, 2008, M.S. 548.091, subd. 1a, was amended to remove the authority to assess interest on child support-related judgments at the State Court Administrator rate “plus two percent”. Child support judgments currently accrue interest at the State Court Administrator rate itself.

As an additional resource, the following ICLC instructions, prepared by MJC ITD Documentation Specialists in 2005, are included here to assist in completing the necessary interest calculations associated with judgment entry using that utility.

## **Instructions for Interest Calculation on Judgments Utility (ICLC) for Use with MNCIS**

**The Interest Calculations on Judgments (ICLC) utility is used to calculate pre-judgment and non-standard interest on judgments, which may contribute to the Judgment Component on the Disposition tab in MNCIS Odyssey. This utility also can be used to answer “what-if” inquiries from parties.**

### **To access ICLC:**

☐ Browse to CourtNet > Administrative Tools> “Interest Rate Calculator”

<http://courtnet.courts.state.mn.us/mncis/iclc/default.asp>

**(NOTE: You may wish to save the ICLC site as one of your “Favorites” on CourtNet.)**

### **Complete the calculation fields:**

#### **Beginning Date**

This may be in the format MMDDYYYY or MMDDYY, and may also include forward slashes (/) or periods. This is the first date on which you want interest to be calculated, usually the date of the judgment itself, or a different date as specified in the order for judgment. Do not leave this blank.

#### **Ending Date**

The last date on which you want interest to be calculated, usually today’s date (leave the field blank to use today’s date). This may be in the format MMDDYYYY or MMDDYY, and may also include forward slashes (/) or periods, and must be after the Beginning Date. This may be a future date, for example an anticipated payment date.

#### **Judgment Amount**

This is the dollar amount on which to calculate interest. This may be the face amount on the order for judgment, or may be the face amount plus pre-judgment interest, if ordered (typically, interest accrues while the case is awaiting trial.) A decimal point is required; do not use commas. You may type a maximum of 12 digits, with the decimal occurring anywhere among the digits (zeroes to the right of the decimal are not “counted” toward the 12 digits if they are insignificant). Examples:

\$999999999999.

Page 2 of 4 January 2005

\$999999999999.90

\$999999999999.09

### **Unpaid Costs**

If the payor incurred court costs and fees *at* or *after* the time the judgment was docketed, enter the sum of these here. This should be evident from the Financial tab for this case. (Do not include costs for other cases here.) Any payment made by the party will be used to pay these costs before funds are applied to judgment principal or interest. Use the same format as for Judgment Amount. Do not complete the Partial Payments table if you use this field.

### **Interest Type**

State Court Admin causes the calculation to use the interest rate as set by the SCAO

<http://www.mncourts.gov/?page=1641>.

Unless the judgment specifies otherwise, use these rates in all cases other than tax matters, as described below.

The “Other” field, causes the calculation to use the interest rate you provide in the field, for example, if the court ordered interest to be paid at a specified rate. To use this rate, uncheck the State Court Admin box. Supply a percentage rate that includes a decimal point. Examples:

10.00

10.

8.75

**Category: “Comm of Revenue” and “Real/Personal Property”**, causes the calculation to use the interest rate for real-property- or personal property-tax judgments, as set by the Commissioner of Revenue. Unless the judgment specifies otherwise, use this rate in all property tax judgments.

**Category: “Comm of Revenue” and “Sales/Excise/Income Tax”**, causes the calculation to use the interest rate for sales-, excise-, or income-tax judgments, as set by the Commissioner of Revenue. Unless the judgment specifies otherwise, use this rate in all non-property state tax judgments.

### **Partial Payments**

If the payor has made one or more payments toward the judgment, use this field to record specific dates and amounts to be used in calculations. This information is available from the Financial tab in the case. Do not complete the Unpaid Costs field if you use this table.

You may record more than one partial payment for the same day; make sure to record Court Costs on the topmost line. If you run out of lines, click the “add more rows” link to add five more rows (it is acceptable to leave rows blank when you click **Submit**). ICLC provides a maximum of 100 rows.

### **Date Paid**

This may be in the format MMDDYYYY or MMDDYY, and may also include forward slashes (/) or periods, and must be a date on or after the date in the Beginning Date field.

**Amount Paid**

The amount the payor paid on the date indicated. A decimal point is required. You may type a maximum of 7 digits, with the decimal occurring anywhere among the digits (zeroes to the right of the decimal are not “counted” toward the 7 digits if they are insignificant). Examples:

\$9999999.

\$999999.90

\$99999.09

The amount in this field is applied as follows: first, Costs/Fees (if any specified in the adjacent field) are subtracted from the Amount Paid. Next, any outstanding accrued interest is paid. Finally, any remainder is applied to the principal.

**Costs/Fees**

Indicate the amount of the payment (if any) that was applied toward costs and fees associated with the case, rather than toward judgment interest and principal payments. These fees are subtracted before the remaining amount is credited toward judgment payment. Use the same format as for Amount Paid. If a required field lacks an entry, or if it has information in the wrong format, the field’s background turns pink. You must fix it before clicking **Submit**.

Click **Submit** to display results.